Alkane Resources (ASX:ALK) - Record Quarterly Cashflow with Multiple Growth Pathways

26 MIN · YOUTUBE · HTTPS://WWW.YOUTUBE.COM/WATCH?V=ENFDWOXH1NG
https://www.youtube.com/watch?v=eNFdwOxH1ng

SUMMARY

Nicker, the CEO of Alcane Resources, discusses the company's growth strategy, recent mergers, and the current state of the gold market. Alcane is focused on maintaining steady production while exploring opportunities for expansion and efficiency improvements, all while navigating the complexities of the gold sector.

- *Alcane Resources operates three gold mines and is actively pursuing growth through mergers and acquisitions.*
- *The company has successfully increased working capital and liquidity, benefiting from recent M&A activities.*
- *Nicker emphasizes the importance of executing a consistent growth strategy, focusing on extending mine lives and lowering production costs.*
- *The company is in the process of permitting a significant project, Boda Kaiser, which has the potential to produce substantial gold and copper.*
- *Alcane aims to balance shareholder expectations with prudent capital allocation and risk management in a volatile market.*
- *The management team prioritizes cash generation and is open to exploring new assets that align with their growth strategy.*
- *Nicker highlights the need for ongoing education about Alcane's assets among North American investors.*
- *The company's approach combines steady production with strategic exploration and M&A to enhance long-term value.*

[music] Hey, I'm Nicker, the managing director and CEO of Alcane Resources. We're ASX listed, TSX listed, and also on the OTC. We've got three producing gold mines, two in Australia, one in Sweden, and things are going very well at the company. >> They are indeed. And good day to you. [laughter] I love that. Good day, mate. Um, right. We're in Toronto, Petak. You've also been on the road for a bit. Um, before this, down in Miami.

Redcloud, preedeek. Yeah. >> Right. So, it's long, but you're in demand. You're executing everything. >> Yeah. Yeah. Yeah. I mean, uh, that's right. the the rationale >> for merging with Mandandalay um relevance uh increased working capital and therefore the security that comes that for investors the rebalancing from index inclusions and the significant liquidity increases that lets fundamental funds come in with bigger tickets all of that has happened >> and and then some and so yeah it's really it's really good as you know to do M&A for a purpose and have that purpose realized so that's been great >> and it was quite the change really if you think about two two years ago it was criy. We need to get to like some kind of steady state, you know, settle things down a bit. It looked kind of like complicated environment. The gold wasn't on the rise back then.

>> But you put a plan in place that didn't hasn't changed much more apart from the the M&A obviously with with >> Well, yeah. I mean, even the M&A was part of the plan. Obviously, we didn't know that that would be >> Manderlay. Yeah. Yeah. Yeah. Um, but is is an environment like this tempting to kind of say, well, look how clever we are. Let's be a bit more aggressive. >> I mean, it it's an interesting question.

We continue to be aggressive because we have still have the plan of of growth. >> It's not so much that we're that much clever, right? It's nice when something goes together. It means that potentially investors will, you know, re reward that in a sense of of of backing that capability. Yeah. I I I don't think anything's really changed in the market. Gold prices hotter higher and the fundamentals driving that are, you know, apparent to us all as we shoot this video.

>> And profit cash flow margins continue to stay very high. But the fundamentals I think in the gold sector of scale, relevance, then the capacity to allocate capital particular on expiration, building a pipeline, high enough market cap to access passive funds and therefore liquidity to give people >> chances to move in and out of the stock, all of that is unchanged and I I personally think just the new thematic of investing at the moment. Yeah. But I think but the margin and the cash build up that that does change thinking and it does change pressures and it does give you optionality.

>> True. Yeah. >> To move at a different pace as well. So there's something to be said about obviously metal prices doing something but ultimately you you need to execute totally on point. >> That that that is true. So, so yeah, we're a very consistent executor, uh, have been for many, many years, >> but but you're right. One of the messages that we have into this budget cycle, so we're a July to June budget cycle, is we're saying to the teams on side, okay, let's go back and look at all the different capital things. It could be automation. It could be development in new area that we've been considering and how can we deploy capital which was more than we budgeted and expected to either increase reserves, increase production or drive the price down or drive the cost of production down. Um and yeah that that more you're right more of that will form this budget cycle than than we previously would have anticipated 18 months ago.

>> Okay. And I and again so sticking with this but now in terms of that comparison that transition as it were from two years ago to today I I I've changed my perception of the company and and the management team. Um I am no longer concerned about your ability to mine and produce gold. I know you look for efficiencies in every stage and every phase. Um how do how do you feel that you've done? I mean the team's evolved, the the portfolio's evolved.

>> Yeah, we have I mean we have a new board, but the team holds together. I think I think we've been able to show that we're quite good assessores of assets and their potential, >> you know, particularly people that have known us for many years with some of the investments we've made and and then the acquisition. I think we're reasonably good in the dynamic market in these smaller minds which you know plus or minus 10% is quite a lot uh at at understanding and predicting our performance and communicating that well I think we take risks that

are aggressive and commenurate with the size of our organization so we're not so if you take a BHP you want a certain dividend you want stability you want a long-term thing you don't expect them to take big swings at things whereas you come and invest in alkane, you're after capital growth, you're after exploration risk, you're after um you know sort of seizing the moment type decisions and that's what we do and I think we've done that well. Like if you if you if you rewind right back to Tommingly for instance, we approved when we just had drill holes an exploration drive worth 30 million bucks down to that deposit.

>> And we understood that the rash that that was a risk, but we understood that that would circumvent permitting, not circumvent permitting, but it would mean that if you ran things in parallel, your ability to bring that on and fast was so we did all of those things and yeah, and that of course that paid off, right? And that's our we're mining 1.3 million tons per brand from there and we wouldn't be doing that >> otherwise.

>> Ditto looking at similar things in Manderlay. They have the capacity now the asset we have at costfield which is mand asset to do a similar development across the troop. We're we're viewing it with that degree of aggressiveness. Um Bjorkdal storeheaden we're viewing that with that degree of aggressiveness. So yeah, I you know, I do think that, you know, investors should have reasonable faith in that. Of course, there's always people that think you're a goose, right?

That's that's understood [laughter] numbers game. U yeah, look, I think I'm just trying to understand and really and get a sense of what you're about going forward. I I get the kind of risk appropriate to the size of the organization ma makes sense because you don't want to >> blow your brains out on taking a big chance and that's the kind of thing that flaws the company. So the commensurate bit is well understood but at the same time you've now reached a certain size 2.2 billion Aussie.

>> Yeah. Not too shabby. >> Yeah. We've been higher than that but in this volatility at the moment. Yeah. Yeah. Exactly. >> Right. So you've been higher than that. So, the the types of uh moves, the types of deals, the types of transactions, M&A or otherwise, organic, I'm sure you've got you've got some options there. Um, it's hard to kind of move the needle. So is it a case of look trust us we've delivered so far and we will it's just basically it's kind of more of the same to be able to deliver this kind of steady creative growth >> or is it look there's got to be some level of ambition here if we want to be a a you know a mid tier however you want to define define that because you're as soon as you're clear with your shareholders and know they know what they're in bed with it's fine but do do you want to be something different? No, no. What we want to be what you've described. So for instance, right now we are making a substantial amount of cash which we're banking.

>> Y >> and absolutely we want to do incremental organic growth on that but that includes extending mine lives. It includes lowering unit cost things that I referred to at the start of our conversation. So that's who we are. As well as that we have our longdated boat at Kaiser and we're progressing that through approvals. So that's a reflects I think very little in our share price at the moment. But >> remind me the the basic outline of the numbers there.

>> So Boda Kaiser has 15 million equivalent ounces. >> Uh 10 million of that roughly is indicated. It's just

under6 g per ton equivalent. That's like.3 g per ton gold.19% copper that uh we're taking through permitting. Right. So 20 million tons peranom it would do you know 160,000 ounces a year of gold and 35,000 tons a year of copper. So we're taking that through permitting clearly once that's permitted.

>> Yeah. >> The financial that that must reflect in our share price is quite high right from so that's a leverage play >> but in between that >> we very much would like to grow the business in scale for the reasons that I said right at the start of the the conversation. So yeah, we absolutely look for assets that are in the 80 to 120,000 ounce range. Meaningful of material like the engine room of Tomingly but a bit bigger >> that we could bring into production or ideally you know merge with again but bring into production as as soon as practical. Yeah.

>> So so how does with Tomingly say for instance you you obviously want to extend extend of life there but what does that production profile look at the moment without exploration? Yeah, pretty look over the next so we're moving a highway which allows some open cuts to come online. So, you know, our guidance issue was 75 to 80,000 ounces. We're tracking at the 80,000 ounce end of that. >> So, we expect guidance over the next few years to be in in and around plus plus minus that 80,000 ounce range. We'd looked at an expansion project, but we've already expanded the mill um through other means to sort of halfway there. So, the capital return on that is not as good. So ve that's very flat out for sort of six, seven years. After that it starts to tail away into more inferred resources.

>> Yeah. >> But separate to that we have a thing we call MLAN's couple hundred thousand ounces and that Roswell western Monza know that sort of lens in behind put in a different minerality type in behind our existing pit and potential for 100,000 plus ounces in that as well as expiration up and down the corridor. So, so yeah, that we should be remaining at or around that rate. Yeah. >> With some grade driven variation. >> So, that's that's kind of got a multi-deade base.

>> Well, at the moment it's seven years in reserve and you know clearly we want to be pushing that beyond 10. Yeah. >> Yeah. Yeah. Okay. So there's that and um also um and 160,000 ounces while when permitting is well not how how so you get permitting and then what does that look like in terms of moving to >> for for bodies? Yeah. So on an equivalent basis it's sort of like bringing a 250 to 300,000 ounce producer on equivalent basis.

>> Yeah. So let's let's assume this is my pragmatic timeline. It's not crazily optimistic. It's not crazily pessimistic. We're in the middle of not in the middle we're in the sort of a quarter way into two years of baseline studies and meeting with land holders and meeting with other parties and what local roads we do and where does water go and all this sort of stuff. So through to the end of next year through the end of 2027 you then put your application into the New South Wales government. There's a lot of consultation that occurs with the government in that circle. So late 27 early 2028 put in the project application. Typically it's a 1 to two year consideration period. So we'll call that consuming the whole of 28 and 29.

>> You get indications as to how smoothly that's going. You know, you start doing iterations on stuff. >> Do a bankable feasibility study so that you're ready for financing. Start seeking partners through that 2029 period. >> Yeah. >> 2030 you have an FID decision. >> Yeah. >> Then you have a 2-year construction 31 32. [snorts] >>

So in terms of that phasing and layering of those answers, it's just like because you know you guys got to come in here and tell me about a growth story, right?

I've got I'm trying to make money and I want to know gonna make it with you. Right. >> There's there's different there's different aspects of the growth story, right? >> Yeah. >> So number one is what is our relative valuation versus the same as other people that are doing stuff, right? >> So right back when you know you spoke with Fraser and I in London all this stuff and we're right back doing you know our share price equival sort of the combined but equivalent share price we spent periods of time in the 70 senses right where we've been $1.70.

>> Yeah. was really obvious that this is going to happen, right? Was obvious we were going to get the indexes. Was obvious that these are stable, but a lot of people wait until something seemed to to make Fair enough, right? Fair enough. Here we are now. Last quarter, we just banked 55 million bucks, but we had a delayed shipment of concentrate. We're going to do the same thing this quarter, most likely do exactly the same thing next quarter, barring some disaster.

What does that mean? That means if you then go and look at the peers TSX, ASX, you say, well, who else is banking 200 million net post growth, all the other stuff I talk about post all of that, who else is banking 200 million? What's their market cap? What's their for profile? People will see, hang on a minute, these guys look cheap, right? So, there's one growth opportunity. It's not a growth in anything we're doing. It's just a growth in people understanding the Manderlay assets and doing that. Second thing potentially we roll as a result of that versus peers and all that stuff into the ASX 200 people saw they can look back and see the effect they can look at other companies going to the ASX 200 make their own judgment but it should have increase in liquidity should pass there's another growth opportunity without us doing anything except delivering then we start coming into true growth of what we're doing bod Kaiser and the leverage delivery of that in the permitting yes but what the other thing that we want to do. We continue to explore and we could get great explorations results and incrementally produce a production. Absolutely. We can dive into that. But we continue to look at how do we get another asset that needs a strong it's going into financing but it's at a lower price to NAV. So therefore it's a lower cost per ounce than ours. So that if we can derisk it through financing, delivery, experience, balance sheet deliver that then it will should move from its multiple to our multiple and there's a value up. We I I look for those assets. Man's looking for those assets. We're looking for those assets combined. We look the new company look for those assets. Have discussions of course in a place like Pekk about those kind of assets. Yeah, that's another part of the growth we're looking to do.

>> Instantly lay that out. Yeah, I might get you to come back and do something specifically on on that. I mean, he's had an interesting chat with a CEO who's he built six months. >> Yeah. >> So far, uh they they picked up something recently. I think the market said, "You've overpaid for this." And he said, "Well, >> maybe on the face of it." But the reality is I needed one part of that deal because it releases huge cash flow, something else in our portfolio. So sometimes 1 plus 1 equals three. Um so but what what he did did say as part of that conversation I I thought was interesting. He said you know I said well when you they had a feasibility study you've just done a pea on this.

>> Yeah. >> Why the backstab he said well you know sometimes this these studies are a work of fantasy and a work of entrepreneurs and it's it's not everything is as described. So you've got to redo the numbers yourself. So when you're out there looking, >> are there there's an ever dwindling amount of development stories, advanced development stories. When you're looking at these advanced development stories, do you do you do you feel the same thing when you sort of looking kind of get in the data rooms of these things?

>> Yeah. I mean of of course of course naming memes. I'm just saying of course of course I mean we are um explorers, operators, builders. >> Yeah. >> Right. So it's just Yeah. different members of the teams have done different stuff and Yeah. >> etc. and and and quite recently but particularly we've done a lot of approval work as well not always in the jurisdictions with which we look so you know we can go and look at something and we can just love the geology and we we we love it and we can say I like everything about that and certainly that's what's being portrayed and then we look at a project we say >> get get into the data and we'll have detailed discussions say well tell me about the water that's coming for this where's it coming from and where's it knowing and what's the quality and all this sort of stuff. And it's clear to us that the work is inadequate and that the risk is greater than the people themselves realize that they're talking about.

>> They've been assured by local government that odd it'll be available, but that's very different from actually being available. And so we we'll then deep dive that not necessarily with the people but deep dive that and that may put us off something because we're like actually we want something that could be executed now but our understanding of that circumstance on doing further assessment is this could be a year or two away could be a killer. >> Yeah.

>> Right. Could we limit the size of the of the build? >> So we do absolutely get things because that's what we look for because we we live that on our sites each day. you know, geotechnical rock conditions. You know, we we will we'll look in something and say from our experience, if we look at this, you've got a mining cost of X per meter, but as far as we can see, you're going to need more cable bolting than than you think because you're mining at this angle against that.

>> That sort of stuff, right? And so therefore, we'll put 10% extra on the Yeah. In this price environment, often that doesn't matter, but we have a much more pragmatic view of it. Yeah. So, so of of course that stuff happens all but that's that's what due diligence is about, right? And then we have to make a value judgment of can we absorb that cost or not and what does it mean? >> Yeah. >> And often of course it gives a value dis disconnect between what you think and what the person selling it think and that's that's all okay. It's natural.

>> But that's where I'm getting to in this scenario that I described and the scenarios that you you've described it it means that a lot of professionals like yourselves who are not going to get hoodwinkedked by the work of fantasy >> means that there's less to choose from. there's gonna be more competition and maybe you got to pay a little bit more if >> you want to go for it at this particular time. You got to say the timing is right. Maybe the return profile isn't immediately apparent, but at least I'm not walking headlong into a train wreck.

>> Absolutely. >> In a year's time, >> I think, you know, you and I have spoken to about true cost of capital

before, you know, on your valuation versus all that sort of stuff. or you know park that to one side but you absolutely have to understand that about you and you have to understand about that on a risk weighted basis and particularly the time value of money. >> Yeah >> like you look you read most people's >> um scoping studies and it's if I execute today then I have an MPV of a billion.

>> Yeah. >> Actually you can't execute that for a whole range of reasons for a year and a half. So you've automatically got a discount about whatever the discount rate is times a year and a half. Right. So already it's different to what's everyone's talking about. So you so you've got to have a view of your value of your own script of course and you got to have a view of the time value of money and the true time value of >> of money against that. But above all you must have a view on gold price. Now happily if you're doing script based transactions then the relativities play a lot more but yeah you you know as a general rule companies should be looking to hold or lower their all-in sustaining cost post capital right or else you got to be bloody bullish about the the gold price to lock in lock in the next scene.

Yeah, absolutely. You know, these are the sorts of conversations that intrigue me and give me an insight into the way that the management think about stuff. You know, you very casually saying, "Oh, cost is all relative at any one moment in time." Well, it is if price holds or goes up, >> but if something goes wrong and you put yourself in a position where you're going to be slightly more highly leveraged than you thought and the returns are going to be with lower margins, that's a problem. That's a real problem and I'd rather not enter into a situation where there's some mystery to it.

>> Totally. And also you've got to remember what your shareholders want. There's a wide range of shareholders in all different degrees of v vocali. But at the moment >> broadly people investing in the gold sector want unleveraged gold price. The thing to remember about that is if gold price falls they will sell the shares and reallocate it into maybe another commodity or maybe fixed interest or whatever. Yeah, >> except the company will still be trying to run, right?

>> So, you have to balance that tension of of of shareholder returns and perception versus protecting the business outside. Happily, margins are so high at the moment that there's a a lot of headroom. Absolutely. But that's also becomes of course then relevant when you do when you do investments, right? >> Um I there are project there are projects I absolutely love around the world. I just I just love everything about their geology, >> but when I look at them, I think I can't wrap my head around how it could be could be water supply, could be this, could be that. I just can't wrap my head around how I'm going to turn that into a mine.

>> Yeah. >> And I'm often baffled that people >> That's the key bit. >> I'm often baffled that people invest in that. >> Yeah. >> But I do understand you obviously you can make a lot of money on the expiration story before. Do you know what I mean? But >> no, I do. I do. But so it's really this is a sort of conversation one say look here's a management team who's a who's a good um arbiter and allocator of capital uh requirement and return on that that that those investments but also just a a a way of thinking about you know how a company sets itself up for not you know it's like investors I think I'm thinking all the money I'm going to make my starting position is I don't want to lose any money >> and if I can get past that Yeah.

>> Then I'm into how much money will I make? And it's the same for for you because the the you're a producer. >> Yeah. >> Sorry. You're you're an explorer oper builder operator. >> If you're going to be looking at new opportunities, you you go into the view of I need it to produce cash. That's the way I get the return. >> Sentiment, momentum, and emotion versus the fundamental drivers. >> Very different people uh in a market like this. So I think you're more like the latter to me.

>> Well, yeah, it it it has to produce cash. >> Yeah. >> And equally as a managing director and CEO, I'm I'm saying how will that be perceived as well? Because perception in this mid tier is absolutely a large part of how people value assets. >> You know, will it be will it be perceived as at risk all the time? So it could generate a whole heap of cash but always be perceived at risk. So it'll always only get >> half I'm making it up like half half NAV and if so then logically if we normally traded the multiple above that but it's being half because the jurisdiction then I've actually >> on a real cost of capital basis I haven't added if that makes sense because you got got a really big >> close mind's eye on perception now that shifts and moves and blah blah blah blah blah but yeah of course we're thinking about all of those things and debating them in the board and you know our board has >> um professionals from all over the world there's not a single person on our board with under 30 years exper experience, right? And um from construction, operations, big company, small company, expiration, BD, you know, you you name it. Right.

>> Of course. And and did for the did for the management team, you know, in the senior management team, there's nobody >> with under 25 years experience, right? And >> and and that that can mean some things, but it also does mean that we, you know, we've we've been around. Yeah. >> Yeah. I think stories like this is like you know we love companies like you coming on because I'm I'm interested in presenting it to people who like to invest in majorly drisk projects. So advanced development stories which are near term revenue story potential or producers are producing cash who then allocate that cash in the most um the most appropriate way to get those sorts of returns. Um, so you do do that, >> but I I've got to just spin a shot off if we're here because I know we've all got to places to be and people to see and all that that sort of stuff.

>> 2026, you're building up this kind of cash, >> it does give you optionality. Do you what do you feel in a market like this having been at down at Beimo and listening to what people want being here at Pedak and in in meetings um and hearing what people want what's going to um give you the kind of you know change that profile for you um and change your you know I guess the perception of the market for you or is it do you think actually that's what they think but I've got my own plan steady as she goes I'm I'm certain I'm sure that this path is going to be >> the best.

>> Of course, I have the latter, right? But there's very broad institutional particularly alignment with that >> which is steady delivery of production. Number one, keeping people safe and get it done. Number two, tread cautiously in M&A in a volatile environment, but there is still value out there. >> And number three, assess if gold prices continue to rise or M&A is delayed, assess, you know, options for capital returns because people will be expecting that as if prices stay up and in the cycle. That's a discussion in in sort of the constantly within our board and we're focused on the M&A prior to that.

But yeah, so the things that we're describing, a a large part of it is actually because North Americans aren't that familiar with the junior space, which Alcane was in in Australia and Australians aren't that familiar with the Manderlay assets. I still believe I have a number of quarters of education and demonstration and blah blah blah. So we continue to screen and people are like, "Oh, who are these guys?" And then you organize meetings. But yeah, but broadly um broadly the big professionals for the industry want to continue to see consolidation because they want to continue to see prudent capital allocation.

>> Yeah, good see. >> Always good, mate. >> I hope you get a little bit of downtime when you eventually get home. >> It's been a long one, right? >> It has. And it's good, but it's fun. It's it's it's rewarding. Yeah, >> it's just time. And it is the time to make hay while the sun shines. So, good luck. Thank you. >> Thanks, mate.